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TAGS: ETRD, EAGR, BL, PFOR, PORG, PGOV, UNCTAD, SNAR

SUBJECT: MEMCON: CONVERSATION BETWEEN GENERAL JUAN LECHIN
AND ASSISTANT SECRETARY KATZ

DATE/PLACE: SEPTEMBER 23, MR. KATZ'S OFFICE

REF: (A) LA PAZ 7472, (B) LA PAZ 7397

SUMMARY: THE BOLIVIAN REPRESENTATIVES FOCUSSED ON THE
FIVE-YEAR DEVELOPMENT PLAN AND THE NEED FOR THE DEVELOP-
MENT OF THE HUMAN AND TECHNOLOGICAL RESOURCES NECESSARY TO
SUCCESSFULLY IMPLEMENT THE PLAN. MR. KATZ SUPPORTED THE
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DUAL TRACK OF TECHNOLOGY AND HUMAN RESOURCE DEVELOPMENT

OUTLINED. HE ALSO OFFERED TO LOOK INTO THE CURRENT STATUS OF BOLIVIA IN THE INTERNATIONAL FINANCIAL INSTITUTIONS. KATZ ENCOURAGED EXPANDED COFFEE PRODUCTION IN REPLACEMENT OF COCA AS A PROFITABLE ALTERNATIVE FOR BOLIVIA. THE WORLD SUGAR AND TIN MARKETS WERE ALSO TOUCHED UPON. END SUMMARY.

1. FIVE YEAR PLAN: ENRIQUE GARCIA, UNDER SECRETARY OF PLANNING, OPENED WITH A DETAILED DESCRIPTION OF BOLIVIA'S FIVE-YEAR DEVELOPMENT PLAN. HE ENDED WITH A DESCRIPTION OF BOLIVIA'S NEED FOR SOFT LOANS AND THE GOB EMPHASIS ON THE PRIVATE SECTOR. KATZ COMMENTED THAT BOTH THE PLAN AND RECENT PERFORMANCE OF BOLIVIA'S ECONOMY WERE IMPRESSIVE.

2. TECHNOLOGY TRANSFER: KATZ NOTED THAT OUR SEARCH FOR WAYS TO TRANSFER TECHNOLOGY TELLS US THE BEST WAY TO DO SO IS TO PERSUADE PEOPLE TO SELL IT THROUGH INCENTIVES. GOVERNMENTS CAN ONLY PLAY A PROMOTIONAL ROLE SINCE THE PRIVATE SECTOR HAS THE TECHNOLOGY. KATZ DESCRIBED THE PRIVATE SECTOR AS THE PRIMARY INSTRUMENT FOR TECHNOLOGY TRANSFER AND MANAGEMENT SKILLS. HE ALSO STATED WE WOULD BE HAPPY TO HELP OVERCOME SPECIFIC OBSTACLES.

3. HUMAN SKILLS: LECHIN POINTED TO THE NEED FOR AN IMPROVEMENT IN THE MANAGERIAL SKILL LEVEL OF BOLIVIAN STATE OWNED ENTERPRISES. KATZ DESCRIBED USAID AND U.S. UNIVERSITIES AND FOUNDATIONS AS THE BEST VEHICLES FOR CARRYING ON A PROGRAM OF MANAGERIAL TRAINING.

4. INTERNATIONAL CREDITS: LECHIN DESCRIBED INSTITUTIONS SUCH AS THE IBRD AND IMF AS CLASSIFYING BOLIVIA IN A "WELL-OFF CATEGORY" BECAUSE OF ITS PETROLEUM SELF-SUFFICIENCY AND BALANCE OF PAYMENTS POSITION. HE DESCRIBED THIS ATTITUDE AS HAVING A NEGATIVE INFLUENCE ON BOLIVIA'S ABILITY TO SECURE SOFT LOAN FINANCING FOR ITS DEVELOPMENT EFFORT. KATZ SAID THAT WE WOULD LOOK INTO THE SITUATION VIA OUR REPRESENTATIVES TO INTERNATIONAL FINANCIAL INSTITUTIONS.

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5. COFFEE AND COCA: LECHIN NOTED THE NEED TO EXPLORE WAYS TO HELP FARMERS GET OUT OF COCA PRODUCTION. KATZ DESCRIBED THE COFFEE PRICE SITUATION AS VERY FAVORABLE, WITH PRICES LIKELY TO REMAIN HIGH FOR QUITE A FEW YEARS. HE SAID THE NEW COFFEE AGREEMENT (ICA) PROVIDES INCENTIVES TO INCREASE PRODUCTION BY GIVING PRODUCERS CONFIDENCE THAT PRICES WILL NOT COLLAPSE TO DISASTER LEVELS. HE NOTED THE

MARKET SHARE PROBLEM WHICH COULD AFFECT BOLIVIA, BUT POINTED OUT THAT BY THE TIME NEW BOLIVIAN PRODUCTION COMES ON STREAM THE ICA WOULD BE READY FOR RENEWAL, WITH QUOTAS RENEGOTIATED. KATZ SAID BRAZIL HAS MADE ONLY MODERATE PROGRESS IN REPLANTING FROST DAMAGED AREAS BECAUSE FARMERS HAVE EXCELLENT ALTERNATIVES IN SOYBEANS AND OTHER CROPS. WHAT BOLIVIA NEEDS IS ORGANIZATION IN THE PROCESSING AND PREPARATION OF COFFEE FOR EXPORT. HE ADVISED THE GOB TO SEEK TECHNICAL ADVICE ON THE ORGANIZATION AND MANAGEMENT FOR EXPORT PREPARATION. LECHIN NOTED THE ABSENCE OF FARMER SKILLS IN COFFEE CULTIVATION. KATZ SAID A PROJECT SHOULD BE FORMULATED, INVITING OUTSIDE EXPERTS, TIEING IN CULTIVATION, PREPARATION AND MARKETING. LECHIN SUGGESTED COCOA AS ANOTHER POSSIBILITY FOR DEVELOPMENT. KATZ AGREED AND DESCRIBED COCOA AS HAVING GOOD LONG TERM PROSPECTS; PLUS OFFERING THE POSSIBILITY OF LOCAL PROCESSING.

6. SUGAR: KATZ SAID THE U.S. WILL HAVE TO DECIDE NEXT YEAR WHAT WE WANT TO DO ABOUT OUR SELF-SUFFICIENCY RATIO ON SUGAR AS WELL AS THE ROLE OF CORN SWEETENERS. HE SAID THE U.S. WILL PROBABLY NOT BE AN EXPANDING SUGAR MARKET, NOR WILL THE EC BECAUSE OF ITS COMMON AGRICULTURAL PROTECTIVE POLICY. THE WORLD MARKET WILL EXPAND HOWEVER. AMBASSADOR CRESPO QUESTIONED U.S. ACTION IN RAISING OUR SUGAR TARIFF. KATZ DESCRIBED THE TARIFF AS TEMPORARY, AND NOTED THAT BOLIVIA ENJOYS GSP ON SUGAR. HE ALSO NOTED A LEGISLATIVE REEXAMINATION OF SUGAR POLICY IS LIKELY NEXT YEAR, AND POINTED OUT THE PRESIDENT COULD HAVE TAKEN MORE RESTRICTIVE QUOTA ACTION BUT CHOSE NOT TO DO SO.

7. TIN, TUNGSTEN AND APT: AMBASSADOR CRESPO NOTED BOLIVIAN INTEREST IN GETTING GSP ON APT (AMMONIUM PARATUNGSTATE). KATZ SAID THAT A REQUEST FOR GSP WOULD LIMITED OFFICIAL USE

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BE CONSIDERED BY THE
USG. KATZ SAID IT APPEARED INEVITABLE THE U.S. WOULD RENEW ITS TIN SURPLUS DISPOSAL PROGRAM AT SOME POINT, BUT ON A REGULAR, PREDETERMINED BASIS TO PREVENT MARKET DISTORTION.

8. MINERALS EXPLORATION: LECHIN DESCRIBED THE MINING SECTOR AS WEAK. HE CALLED FOR TECHNOLOGICAL AID. KATZ NOTED MULTILATERAL INSTITUTIONS HAVE A ROLE TO PLAY IN EXPLORATION, BUT PRIVATE SECTOR INTERESTS ARE BEST FOR PRODUCTION. HE SAID WE WILL CONTINUE TO PRESS FOR THE INTERNATIONAL RESOURCES BANK (IRB) IN THE IBRD, EVEN THOUGH WE WERE UNHAPPY WITH THE WAY THE IRB IDEA WAS TREATED AT UNCTAD IV. LECHIN DESCRIBED THE IRB AS "A PRACTICAL PROPOSITION." KATZ DESCRIBED THE IRB AS A

CATALYST FOR PRIVATE INVESTMENT IN RAW MATERIALS INVEST-
MENT WHICH WE INTEND TO PURSUE. KISSINGER

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